

TUCKER
ARENSBERG, P.C.
ATTORNEYS

Writer's Direct Dial:

(412) 594-5576

April 3, 1995

Mr. Vernon Williams, Secretary
Interstate Commerce Commission
12th and Constitution Avenue N.W.
Washington, D.C. 20423

Dear Mr. Williams:

I have enclosed an original and one counterpart of the document described below, to be recorded pursuant to Section 11303 of Title 49 of the U.S. Code.

The document is a First Amendment of Mortgage of Locomotives and Security Agreement dated as of March 31, 1995 (the "First Amendment"). This document is a secondary document. The primary document to which this Partial Release is connected is recorded under Recordation No. 19252.

The names and addresses of the parties to the document is as follows:

Mortgagor: MK Rail Corporation
1200 Reedsdale Street
Pittsburgh, Pennsylvania 15233

Mortgagee: PNC Bank, National Association, as Agent
One PNC Plaza
Fifth Avenue and Wood Street
Pittsburgh, Pennsylvania 15265
Attention: Gregory A. Steve

Type of Equipment Locomotives
Covered:

A fee of \$21 is enclosed. Please return the original copy not needed by the Interstate Commerce Commission to the undersigned at 1500 One PPG Place, Pittsburgh, Pennsylvania 15222.

This document is a First Amendment of the Mortgage of Locomotives and Security Agreement dated as of February 16, 1995 and recorded at Recordation No. 19252 granted to PNC Bank, National Association, as

1500 ONE PPG PLACE PITTSBURGH, PENNSYLVANIA 15222 412-566-1212 FACSIMILE 412-594-5619

Airport Professional Office Center 1150 Thorn Run Road Extension Moon Township, Pennsylvania 15108 412-262-3730
Harrisburg Office 116 Pine Street Harrisburg, Pennsylvania 17101 717-238-2900

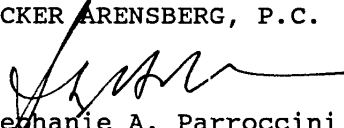
TUCKER
ARENSBERG, P.C.
ATTORNEYS

Mr. Vernon Williams, Secretary
Interstate Commerce Commission
April 3, 1995
Page 2

Agent, by MK Rail Corporation and all other property, and rights to property, encumbered by the terms of the mortgage recorded at Recordation No. 19252 remain subject to the liens and other charges of such mortgage.

Sincerely,

TUCKER ARENSBERG, P.C.


Stephanie A. Parroccini
Legal Assistant

SAP/tal

BF26940.1:4/3/95:



Interstate Commerce Commission
Washington, D.C. 20423-0001

4/5/95

Office Of The Secretary

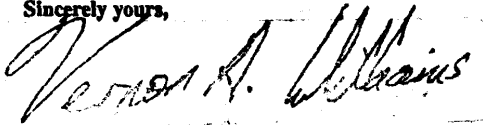
Stephanie A. Parroccini
Legal Assistant
Tucker Arensberg, PC
1500 One PPG Place
Pittsburgh, PA., 15222

Dear

Madam:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of
the Interstate Commerce Act, 49 U.S.C. 11303, on _____ at _____, and
assigned recordation number(s). 4/5/95 1:35PM
19252-B and 19252-C.

Sincerely yours,

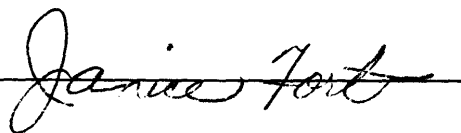

Vernon A. Williams
Secretary

Enclosure(s)

(0100583071)
(0100583072)

\$42.00 The amount indicated at the left has been received in payment of a fee in connection with a document filed on the date shown. This receipt is issued for the amount paid and in no way indicates acknowledgment that the fee paid is correct. This is accepted subject to review of the document which has been assigned the transaction number corresponding to the one typed on this receipt. In the event of an error or any questions concerning this fee, you will receive a notification after the Commission has had an opportunity to examine your document.

Signature



19252-B

APR 1 1995 1:14 PM

**FIRST AMENDMENT TO
MORTGAGE OF LOCOMOTIVES AND SECURITY AGREEMENT**

THIS FIRST AMENDMENT TO MORTGAGE OF LOCOMOTIVES AND SECURITY AGREEMENT ("First Amendment") dated as of March 31, 1995 is made by and between MK RAIL CORPORATION, a Delaware corporation having an office and place of business at 1200 Reedsdale Street, Pittsburgh, Pennsylvania 15233 (the "Mortgagor") and PNC BANK, NATIONAL ASSOCIATION, a national banking association, having an office and place of business at One PNC Plaza, Pittsburgh, Pennsylvania 15265, as agent (in such capacity, the "Agent" or the "Mortgagee") for the Lenders (as defined below) and the L/C Issuer (as defined below), and amends that certain Mortgage of Locomotives and Security Agreement dated as of February 16, 1995 by and between Mortgagor and Mortgagee (the "Original Locomotive Mortgage"), which such Original Locomotive Mortgage is recorded at Interstate Commerce Commission No. 19252.

WITNESSETH:

WHEREAS, contemporaneously with the execution of this First Amendment, the Mortgagor, TOUCHSTONE, INC., a Tennessee corporation, MK ENGINE SYSTEMS COMPANY, INC., a New York corporation, MOTOR COILS MANUFACTURING CO., a Pennsylvania corporation, POWER PARTS COMPANY, a Nevada corporation, POWER PARTS SIGN CO., an Illinois corporation, ALERT MFG. & SUPPLY CO., an Illinois corporation, and CLARK INDUSTRIES, INC., an Illinois corporation, together with each other hereafter created or acquired directly or indirectly wholly owned domestic Subsidiary of the Mortgagor which executes a Joinder Agreement and related documents, as the borrowers (collectively, the "Loan Parties"), and PNC BANK, NATIONAL ASSOCIATION, as a lender under the Amended Credit Agreement, as such term is defined below (PNC Bank, National Association in the capacity of a lender under such Amended Credit Agreement together with each financial institution which joins such Amended Credit Agreement as a lender is herein referred to as a "Lender"; and collectively as the "Lenders"), and PNC BANK, NATIONAL ASSOCIATION, a national banking association, in the capacity of the issuer of certain letters of credit under the terms of the Amended Credit Agreement (in such capacity, the "L/C Issuer"), and the Agent, as agent for the Lenders and the L/C Issuer, will enter into, and will execute, that certain Amended and Restated Revolving Credit and Letter of Credit Issuance Agreement dated as of the date hereof (the "Amended Credit Agreement"); and

WHEREAS, the Amended Credit Agreement amends and restates that certain Revolving Credit and Letter of Credit Issuance Agreement dated as of September 30, 1994 by and among

the Mortgagor, TOUCHSTONE, INC., a Tennessee corporation, MK ENGINE SYSTEMS COMPANY, INC., a New York corporation, MOTOR COILS MANUFACTURING CO., a Pennsylvania corporation, POWER PARTS COMPANY, a Nevada corporation, and CLARK INDUSTRIES, INC., an Illinois corporation, as the borrowers, and PNC BANK, NATIONAL ASSOCIATION as the original lender under such Revolving Credit and Letter of Credit Issuance Agreement, PNC BANK, NATIONAL ASSOCIATION, as the issuer of certain letters of credit under such Revolving Credit and Letter of Credit Issuance Agreement, and the Agent, as amended by that certain letter agreement dated October 24, 1994 and as further amended by that certain letter agreement dated February 7, 1995 (such Revolving Credit and Letter of Credit Issuance Agreement, as so amended by such letter agreement herein referred to as the "Original Credit Agreement");

WHEREAS, Mortgagor has heretofore executed and delivered to the Agent the Original Locomotive Mortgage in order to secure the payment in full of the indebtedness, liabilities and other obligations of the Mortgagor, Touchstone, Inc., MK Engine Systems Company, Inc., Motor Coils Manufacturing Co., Power Parts Company and Clark Industries, Inc., pursuant to the terms of the Original Credit Agreement and various other agreements with PNC Bank, National Association, as a lender, as the issuer of letters of credit and as agent for certain financial institutions; and

WHEREAS, the Agent, the Lenders and the L/C Issuer are unwilling to execute and deliver the Amended Credit Agreement unless the Mortgagor enters into this First Amendment.

NOW, THEREFORE, in consideration of the premises (each of which is incorporated herein by reference) and the mutual promises and the mutual covenants made herein and in the Original Locomotive Mortgage and other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and with the intent to be legally bound hereby, the parties hereto agree as follows:

ARTICLE I AMENDMENTS TO ORIGINAL LOCOMOTIVE MORTGAGE

Section 1.01 Amendment to Paragraph 2 of the Original Locomotive Mortgage. Paragraph 2 of the Original Locomotive Mortgage is hereby deleted in its entirety and there is substituted therefor the following:

2. Agreement to Finance. (a) Pursuant to that certain Revolving Credit and Letter of Credit Issuance Credit Agreement dated as of September 30, 1994 by and among the

Mortgagor, TOUCHSTONE, INC., a Tennessee corporation, MK ENGINE SYSTEMS COMPANY, INC., a New York corporation, MOTOR COILS MANUFACTURING CO., a Pennsylvania corporation, POWER PARTS COMPANY, a Nevada corporation, and CLARK INDUSTRIES, INC., an Illinois corporation, as the borrowers (collectively, the "Original Loan Parties"), and PNC BANK, NATIONAL ASSOCIATION, as a lender under such Revolving Credit and Letter of Credit Issuance Agreement (PNC Bank, National Association, in the capacity of a lender under such Agreement together with each financial institution which joins such Original Credit Agreement as a lender is herein referred to as an "Original Lender"; and collectively as the "Original Lenders"), and PNC BANK, NATIONAL ASSOCIATION, a national banking association, in the capacity of the issuer of certain letters of credit under the terms of the Original Credit Agreement (in such capacity, the "Original L/C Issuer"), and the Agent, as agent for the Original Lenders and the Original L/C Issuer, as amended by that certain letter agreement dated October 24, 1994 and as further amended by that certain letter agreement dated February 7, 1995 (such Revolving Credit and Letter of Credit Issuance Agreement, as so amended by such letter agreements herein referred to as the "Original Credit Agreement"), the Original Lenders agreed to commit to lend to the Original Loan Parties on a revolving credit basis, upon the terms and conditions set forth in the Original Credit Agreement, an amount not to exceed FIFTY MILLION DOLLARS (\$50,000,000.00), and the Original L/C Issuer agreed to issue certain letters of credit, from time to time, for the account of one or more of the Original Loan Parties with an aggregate stated amount not to exceed TWENTY MILLION DOLLARS (\$20,000,000.00). The indebtedness of the Original Loan Parties to the Original Lenders is evidenced by that certain Revolving Credit Note dated September 30, 1994 of the Original Loan Parties to PNC Bank, National Association, as an Original Lender, in the aggregate principal amount of Fifty Million (\$50,000,000) Dollars, as such Revolving Credit Note is amended by that certain Amendment No. 1 to Revolving Credit Note dated February 7, 1995 (such Revolving Credit Note, as so amended herein referred to as the "Original Revolving Credit Note"), with interest at rates provided in the Original Credit Agreement and to be repaid at the times and places and in the manner set forth in the Original Credit Agreement, and containing other terms and provisions, all of which are specifically incorporated herein by reference. The Original Credit Agreement and the Original Revolving Credit Note, and all of the terms and provisions thereof, are hereby specifically incorporated herein by reference.

(b) Pursuant to that certain Amended and Restated Revolving Credit and Letter of Credit Issuance Agreement dated as of March 31, 1995 (the Amended and Restated Revolving Credit and Letter of Credit Issuance Agreement, and all additional

extensions, renewals, amendments, substitutions or replacements thereto referred to herein as the "Amended Credit Agreement") by and among the Mortgagor, the other Original Loan Parties, and POWER PARTS SIGN CO., an Illinois corporation, and ALERT MFG. & SUPPLY CO., an Illinois corporation, as the borrowers (the Original Loan Parties together with Power Parts Sign Co., Alert Manufacturing Mfg. & Supply Co., and each hereafter created or acquired directly or indirectly wholly owned domestic Subsidiary of the Mortgagor executing a Joinder Agreement as a Co-Borrower, as such terms are defined in the Amended Credit Agreement, are herein referred to collectively, the "Loan Parties"; and the term "Loan Party" shall mean any of the Loan Parties), and the Original Lenders, the Original L/C Issuer, and the Agent, the Loan Parties, the Original Lenders (each such Original Lender, together with each financial institution which joins such Amended Credit Agreement as a lender herein referred to as a "Lender"; and collectively as the "Lenders"), the Original L/C Issuer (such Original L/C Issuer is hereinafter referred to as the "L/C Issuer"), and the Agent agreed to amend and restate the Original Credit Agreement; and pursuant to the terms of such Amended Credit Agreement, the Lenders agreed to commit to lend to the Loan Parties on a revolving credit basis, upon the terms and conditions set forth in the Amended Credit Agreement, an amount not to exceed FIFTY MILLION DOLLARS (\$50,000,000.00); and pursuant to the terms of such Amended Credit Agreement, the L/C Issuer agreed to issue certain letters of credit, from time to time, for the account of one or more of the Loan Parties with an aggregate stated amount not to exceed TEN MILLION DOLLARS (\$10,000,000.00). The Loan Parties and the Lenders agreed that the Original Revolving Credit Note would be amended and restated pursuant to the terms of that certain Amended and Restated Revolving Credit Note dated March 31, 1995 in the face principal amount of Fifty Million (\$50,000,000) Dollars of the Loan Parties in favor of PNC Bank, National Association, as Lender (such Amended and Restated Revolving Credit Note together with any replacement promissory note issued to a Lender pursuant Section 10.05 of the Amended Credit Agreement, and all such promissory notes together with all extensions, renewals, amendments, substitutions or replacement thereto or thereof are referred to herein collectively as the "Notes"; and the term "Note" shall mean any of the Notes), and that the indebtedness of the Loan Parties to the Lenders under Amended Credit Agreement shall be evidenced by one or more Notes in the aggregate principal amount of Fifty Million (\$50,000,000) Dollars, with interest at rates provided in the Amended Credit Agreement and to be repaid at the times and places and in the manner set forth in the Amended Credit Agreement, and containing other terms and provisions, all of which are specifically incorporated herein by reference. The Amended Credit Agreement and the Notes, and all of the terms and provisions thereof, are hereby specifically incorporated herein

by reference and all capitalized terms defined in the Amended Credit Agreement shall have the same meanings herein except only as otherwise defined herein.

Section 1.02 References to Mortgagee. Each reference to the term "mortgagee" or "Mortgagee" in the Original Locomotive Mortgage is hereby deemed to be a reference to the term "Agent".

Section 1.03 References to Credit Agreement. Each reference to the term "Credit Agreement" in the Original Locomotive Mortgage is hereby deemed to be, and include, a reference to the term "Amended Credit Agreement".

ARTICLE II SUPPLEMENTAL LIENS AND SECURITY INTEREST

Section 2.01 Grant of Liens and Security Interest. In order to secure the prompt, full and complete payment when due of all of the Secured Obligations of the Loan Parties to the Lenders, the L/C Issuer and the Agent, the Mortgagor hereby grant to the Agent, for the benefit of the Lenders and the L/C Issuer, a security interest in, and mortgage, pledge and assign as collateral security thereto, each and all of the Mortgagor's rights, title, interest, estate, claims and demands in, to and under, or derived from, the Mortgaged Property, whether now owned or hereafter acquired.

Section 2.02 Confirmation. The Mortgagor hereby confirms in all respects the grant of the security interest in the Mortgaged Property pursuant to the Original Locomotive Mortgage. Except as expressly amended by this First Amendment and except (with respect solely to the representations and warranties contained in the Original Locomotive Mortgage) as provided in Article III hereof, the Original Locomotive Mortgage and the grants, assignments and pledges of liens and security interests made therein, all rights, privileges, remedies, powers and immunities of the Agent, the L/C Issuer and each Lender contained therein and all other terms, conditions, representations, warranties, covenants and agreements set forth therein are hereby specifically ratified and confirmed by the Mortgagor and shall remain in full force and effect and shall be made and accepted as of the date of this First Amendment as well as at the time they were first made and accepted.

ARTICLE III
SUPPLEMENTAL REPRESENTATIONS

The Mortgagor hereby represents and warrants to the Lenders, the L/C Issuer and the Agent, which representations and warranties shall survive the execution and delivery of this First Amendment, as follows:

Section 3.01 Incorporation by Reference. The Mortgagor hereby incorporates herein by reference and repeats herein for the benefit of the Agent, the Lenders and the L/C Issuer the representations and warranties made by the Mortgagor in paragraph 6 of the Original Locomotive Mortgage and for purposes hereof such representations and warranties shall be deemed to extend to and cover this First Amendment.

ARTICLE IV
MISCELLANEOUS

Section 4.01 Ratification and Continuation. This First Amendment shall be construed in connection with and as part of the Original Locomotive Mortgage; and the Original Locomotive Mortgage is hereby modified to include this First Amendment. Nothing contained in this First Amendment shall be construed to release, cancel, terminate, postpone or otherwise impair the status, perfection date or priority of the liens and security interests created by the Original Locomotive Mortgage to secure the payment and performance of the Secured Obligations as such term is defined in the Original Locomotive Mortgage. All such liens and security interests created by the Original Locomotive Mortgage shall continue to exist under the terms of the Original Locomotive Mortgage as amended by this First Amendment.

Section 4.02 Counterparts. This First Amendment may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which when so executed and delivered shall be an original, but all of which together shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this First Amendment by telecopier shall be effective as of delivery of a manually executed counterpart of this First Amendment.

Section 4.03 Capitalized Terms. Except for proper nouns and as otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to them in the Original Locomotive Mortgage, as amended hereby.

Section 4.04 Effective Date. From and after the date first above written, all references in the Original Locomotive

Mortgage to such Original Locomotive Mortgage shall be deemed to be references to such Original Locomotive Mortgage as amended hereby.

Section 4.05 References. All notices, communications, agreements, certificates, documents and other instruments executed and delivered after the execution and delivery of this First Amendment may refer to the Original Locomotive Mortgage without making specific reference to this First Amendment, but nevertheless all such references shall include this First Amendment unless the context requires otherwise.

Section 4.06 Entire Agreement. This First Amendment contains the entire agreement between the parties hereto relating to the subject matter hereof; there are merged herein all prior representations, promises and conditions, whether oral or written, in connection with the subject matter hereof, and any representations, promises or conditions not incorporated herein shall not be binding upon the parties hereto.

Section 4.07 Severability. Whenever possible each provision of this First Amendment shall be interpreted in such manner as to be effective and valid under applicable law but if any provision of this First Amendment or any part of such provision shall be prohibited by or invalid under applicable law, such provision or part thereof shall be ineffective to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this First Amendment.

Section 4.08 Governing Law. **THIS FIRST AMENDMENT AND THE RIGHTS AND OBLIGATIONS HEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA WITHOUT REGARD TO THE PROVISIONS THEREOF REGARDING CONFLICTS OF LAW.**

Section 4.09 Headings. The headings of this First Amendment are for purposes of reference only and shall not limit or otherwise affect the meaning thereof.

Section 4.10 Voluntary Actions. This First Amendment is freely and voluntarily given to the Agent, the L/C Issuer and the Lenders by the Mortgagor without any duress or coercion after the Mortgagor has either consulted with counsel or been given an opportunity to do so, and the Mortgagor has carefully and completely read all of the terms and provisions of this First Amendment.

Section 4.11 No Other Amendments. The amendments to the Original Locomotive Mortgage set forth herein do not either implicitly or explicitly alter, waive or amend, except as expressly provided in this First Amendment, the other provisions of the Original Locomotive Mortgage. The amendments set forth herein do not waive, now or in the future, compliance with any other covenant, term or condition to be performed or complied with nor do they impair any rights or remedies of the Agent, any Lender or the L/C Issuer under the Original Locomotive Mortgage with respect to any such violation.


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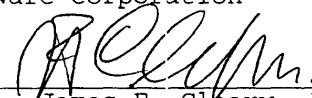
IN WITNESS WHEREOF, and intending to be legally bound hereby, this First Amendment to Locomotive Mortgage and Security Agreement has been duly signed and delivered by the undersigned the day and year specified at the beginning hereof.

MORTGAGOR

Attest: (Seal)


MK RAIL CORPORATION, a
Delaware corporation

By 
Name: Michael A. Weiss
Title: Secretary

By 
Name: James F. Cleary, Jr.
Executive Vice
President-Finance &
Administration

MORTGAGEE

PNC BANK, NATIONAL
ASSOCIATION, as Agent for L/C
Issuer and the Lenders

By 
Name: Gregory A. Steve
Title: Commercial Banking
Officer

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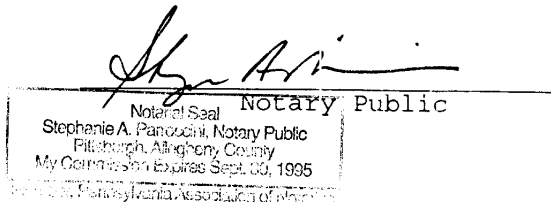
CERTIFICATE OF ACKNOWLEDGEMENT

COMMONWEALTH OF PENNSYLVANIA)
) SS:
COUNTY OF ALLEGHENY)

On this the 3rd day of March, 1995 before me, the undersigned officer, personally appeared James F. Cleary, Jr., who acknowledged himself to be the Executive Vice President-Finance & Administration of MK Rail Corporation, a Delaware corporation, and that he as such officer, being authorized to do so, executed the foregoing **First Amendment to Mortgage of Locomotives and Security Agreement** for the purposes therein contained by signing the name of the corporation by himself as such officer.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

My Commission Expires:



COMMONWEALTH OF PENNSYLVANIA)
) SS:
COUNTY OF ALLEGHENY)

On this 3rd day of March, 1995 officer, personally appeared Gregory A. Steve who acknowledged himself to be the Commercial Banking Officer of PNC Bank, National Association, a national banking association and that he as such Commercial Banking Officer, being authorized to do so, executed the foregoing instrument for the purposes therein contained by signing the name of the association, as agent as above described, by himself as Commercial Banking Officer.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

My Commission Expires:

